

Message Text

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TAGS: BGEN, VE, US

SUBJECT: INFORMATION ON CHARLES MARTIN VENEZOLANA

REF: STATE 006545

CAUTION: PROPRIETARY INFORMATION INVOLVED

1. FYI - ACCORDING TO A TRADE SOURCE, CHARLES MARTIN VENEZOLANA HAS BEEN REORGANIZED SEVERAL TIMES DURING THE LAST TWO YEARS. CONTROL OF THE PARENT COMPANY PASSED AT SOME POINT IN THE EARLY 70'S TO A MRS. JUAN ROMANACH. THE HIRED MANAGERS OF THE NEW YORK OFFICES OF CHARLES MARTIN U.S. DECIDED IN 1974 ACCORDING TO OUR SOURCE TO COMPLY AT LEAST ON PAPER WITH THE REQUIREMENTS OF DECISION 24 OF THE ANDEAN PACT AGREEMENT. VENEZUELAN CITIZENS TOOK 80 PERCENT OF THE STOCK BUT, WE ARE TOLD, EFFECTIVE CONTROL REMAINED WITH CHARLES MARTIN COMPANY U.S. ON JANUARY 30, AGAIN ACCORDING TO OUR SOURCE, MRS. ROMANACH'S HUSBAND, ACTING LOCALLY WITH A POWER OF ATTORNEY FROM CHARLES MARTIN COMPANY U.S., AGAIN REORGANIZED THE COMPANY AND ASSUMED PERSONAL CONTROL OF IT. MRS. ROMANACH MAY BE A CUBAN REFUGEE WHO DOES NOT POSSESS U.S. CITIZENSHIP.

2. OUR SOURCE BELIEVES THAT CHARLES MARTIN'S COMPETITORS HAVE GONE THROUGH SIMILAR PAPER REORGANIZATIONS WITHOUT LOSING CONTROL OF THEIR LOCAL ENTERPRISES. WE CANNOT CONFIRM THIS BUT NOTE THAT A CHECK WITH THE OFFICE OF LIMITED OFFICIAL USE

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SUPERINTENDENT OF FOREIGN INVESTMENT INDICATES THAT NONE

OF THE COMPANIES INVOLVED - INCLUDING CHARLES MARTIN - HAS REGISTERED REORGANIZATION OR DIVESTITURE PLANS AS REQUIRED BY LAW. END FYI

3. FOLLOWING ARE THE RESPONSES TO THE SPECIFIC QUESTIONS POSED IN PARA 3 REFTEL:

A) CHARLES MARTIN VENEZOLANA IS ENGAGED IN THE INSPECTION AND CERTIFICATION OF STORAGE TANKS, BULK CARGOS (MOSTLY OIL) AND IN RELATED INSPECTION SERVICES CONNECTED WITH MARITIME TRANSPORT.

B) AS FAR AS WE CAN ASCERTAIN, NONE OF THE U.S. COMPANIES ACTIVE IN THIS BUSINESS HAVE FILED FORMAL DIVESTITURE PLANS WITH THE SUPERINTENDENT OF FOREIGN INVESTMENT AS REQUIRED BY LAW. WE HAVE HEARD THAT SOME FORM OF DIVESTITURE MAY BE TAKING PLACE IN THESE COMPANIES BUT HAVE NO CONFIRMATION.

C) IT IS OUR UNDERSTANDING THAT THE APPLICATION OF DECISION 24 IN VENEZUELA WILL REQUIRE THAT SERVICE COMPANIES OF THIS TYPE DIVEST DOWN TO 20 PERCENT OF EQUITY BY MAY 1977. ONCE THAT REQUIREMENT HAS BEEN MET NO FURTHER IMPACT OF DECISION 24 IS FORESEEN.

D) ACCORDING TO OUR INFORMATION, CHARLES MARTIN U.S. HAS MAINTAINED EFFECTIVE CONTROL OF ITS SUBSIDIARY HERE AND MAY IN ONE FORM OR ANOTHER RETAIN MAJORITY OWNERSHIP. IF SUCH IS NOT THE CASE, CHARLES MARTIN COULD NOT RE-ESTABLISH MAJORITY OWNERSHIP BUT AS A SERVICE COMPANY WOULD BE FORCED TO LIMIT ITS EQUITY TO 20 PERCENT.

E) DECISION 24 LIMITS FOREIGN EQUITY IN SERVICE COMPANY OPERATIONS TO 20 PERCENT. SIEX HAS AUTHORITY TO CLASSIFY COMPANIES AS TO WHETHER OR NOT THEY ARE SERVICE COMPANIES OR MANUFACTURING COMPANIES. SIEX CANNOT GRANT WAIVERS REGARDING THE PORTION OF FOREIGN EQUITY PARTICIPATION ONCE A COMPANY HAS BEEN CLASSIFIED.

4. CHARLES MARTIN SHOULD DIRECT ANY INQUIRIES IT MAY HAVE WITH RESPECT TO THESE PROBLEMS TO DR. RAFAEL SOTO LIMITED OFFICIAL USE

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ALVAREZ, THE SUPERINTENDENT OF FOREIGN INVESTMENT.

5. IN SUMMARY, THE CHARLES MARTIN COMPANY'S SUBSIDIARY IN VENEZUELA WOULD APPEAR TO CLEARLY FALL INTO THE CATEGORY OF A SERVICE COMPANY AND THUS WOULD BE REQUIRED BY EXISTING REGULATIONS TO DIVEST ITSELF TO A 20 PERCENT EQUITY HELD BY FOREIGN ENTITIES BY MAY 1977.
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